

MT. MORRIS CONSOLIDATED SCHOOLS

MT. MORRIS, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 29, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Mt. Morris Consolidated Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Morris Consolidated Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mt. Morris Consolidated Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Morris Consolidated Schools as of June 30, 2007, and respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 29, 2007 on our consideration of the Mt. Morris Consolidated Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Morris Consolidated Schools' basic financial statements. The additional information on pages 19 - 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Mt. Morris Consolidated Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Mt. Morris Consolidated Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006.

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$10,050,880	\$10,897,723
Non-Current Assets	<u>2,982,123</u>	<u>1,921,817</u>
<u>TOTAL ASSETS</u>	<u>\$13,033,003</u>	<u>\$12,819,540</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,239,254	\$5,072,349
Long-Term Liabilities	<u>1,991,082</u>	<u>2,570,944</u>
Total Liabilities	\$7,230,336	\$7,643,293
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,400,983	1,551,305
Restricted - Debt Retirement	52,787	28,996
Unrestricted	<u>4,348,897</u>	<u>3,595,946</u>
Total Net Assets	<u>\$5,802,667</u>	<u>\$5,176,247</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$13,033,003</u>	<u>\$12,819,540</u>

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$2,358,779	\$1,629,010
State of Michigan Unrestricted Foundation Aid	21,818,059	21,767,482
Other General Revenues	<u>370,431</u>	<u>436,581</u>
Total General Revenues	\$24,547,269	\$23,833,073
<u>Operating Grants:</u>		
Federal	2,928,119	2,973,696
State of Michigan	2,866,827	2,459,172
Other Grants	<u>104,645</u>	<u>127,071</u>
Total Operating Grants	\$5,899,591	\$5,559,939
<u>Charges for Services:</u>		
Food Service	271,571	276,473
Athletics	53,166	47,844
Other Charges for Services	<u>361,180</u>	<u>359,022</u>
Total Charges for Services	\$685,917	\$683,339
Total Revenues	\$31,132,777	\$30,076,351
<u>EXPENSES</u>		
Instruction & Instructional Support	17,144,685	17,139,141
Support Services	11,672,003	11,610,694
Community Services	85,819	71,211
Food Service	959,442	922,651
Athletics	454,584	425,120
Non-Educational Activities	17,449	19,285
Interest - Long-Term Obligations	62,297	21,902
Depreciation	<u>110,078</u>	<u>110,078</u>
Total Expenses	\$30,506,357	\$30,320,082
<u>INCREASE IN NET ASSETS</u>	\$626,420	(\$243,731)
<u>BEGINNING NET ASSETS</u>	<u>5,176,247</u>	<u>5,419,978</u>
<u>ENDING NET ASSETS</u>	<u><u>\$5,802,667</u></u>	<u><u>\$5,176,247</u></u>

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets increased by \$626,420 to a total of \$5,802,667. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$150,322 during the year due to depreciation exceeding purchases of new capital assets and principal payments on related debt. The district's Unrestricted Net Assets increased by \$752,951 during the year and the restricted portion of the net assets increased by \$23,791. The unrestricted Net Assets may be used to fund the educational services provided to students. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects.

Analysis of Results of Operations

The district's overall revenues exceeded its expenditures for the year by \$626,420. The total revenues increased by \$1,056,426, or 3.5% over last years amounts. The major change comes primarily from Sinking Fund tax collections. Expenditures increased by \$186,275, or 1/2% over last year. The major changes were increases in depreciation, wages, and fringe benefits.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. The general fund's unreserved fund balance decreased by \$21,263 during the year with the decrease primarily due to the increased inventory of a building trades home. Increased revenues of \$466,578 for the year were comprised primarily of State Revenues. The District's State Aid foundation allowance increased by \$210 to \$7,085 per pupil. Additionally, the State of Michigan initiated a \$23 equity payment for districts being funded at the minimum foundation allowance.

Expenditures and other financing uses increased by \$300,656 primarily from increases in wage and health insurance premiums totaling over \$515,000. In addition, the maintenance and transportation departments have recognized over \$65,000 in additional utility and fuel costs. As the host of a multi-district building trades program, \$168,000 of expenses related to an unsold house have been reclassified to inventory offsetting the increased expenses for this year.

The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Mt. Morris Consolidated Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2006-2007 was 3,431; a decrease of 35 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2006-2007 fiscal year was \$1,734,544, an increase of \$58,770 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$29,545,900	\$30,242,101	\$29,520,072	2.36	2.39
Expenditures	30,272,289	30,748,143	29,541,334	1.57	3.92
<u>TOTAL</u>	<u>(\$726,389)</u>	<u>(\$506,042)</u>	<u>(\$21,262)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Mt. Morris Consolidated Schools amends its budget during the school year. The June 26, 2007 budget amendment was the final budget for the fiscal year.

- Original vs. Final Budgets
 - Revenues – Several significant items affect the Original vs. Final revenues. At the time of original budget adoption, enrollment figures and state aid funding subject to legislative action are estimates only. With the official student count and foundation allowance, the budget is amended to reflect accurate revenues. Grant allocations received throughout the year also cause a change in budgeted revenues.

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

ANALYSIS OF BUDGETS: (Continued)

- Original vs. Final Budgets (Continued)
 - Expenditures – Several significant items affect the Original vs. Final expenditures. At the time of original budget adoption, staffing changes based on retirement and changes in enrollment are estimates. As actual wage and fringe benefit costs are determined, the budget is amended. In addition, as grant allocations are received, the budget is amended to reflect the anticipated expenditure of those funds. During the course of the year, the board approved additional expenditures of textbooks and other necessary purchases which required expense budget amendments.
- Final Budget vs. Actual Results
 - Revenues – Three factors having a significant impact on differences between the Final vs. Actual budget including uncollected property taxes, the receipt of unknown revenues and unexpended grant funds. Delinquent property taxes as of June 30, 2007, totaled \$20,195. Additionally, the district received \$56,610 in unanticipated revenues after the final budget amendment including summer school tuition, medicaid outreach reimbursement, and investment income. Finally, the district deferred \$540,529 in grant revenues to be spent in the 2007-08 school year.
 - Expenditures – Several factors had a major impact on the difference between the Final vs. Actual budget. The first budget variance stems from grant funds of \$540,529 that were not spent prior to June 30, 2006. These expenditures will be budgeted and recorded in the 2007-08 school year. A second variance is due to the timing of summer maintenance, technology, and architectural projects. Costs totaling \$over \$200,000 were delayed to the 2007-08 school year. Thirdly, in order to spread the burden of major purchases, the district allows remaining discretionary monies to be combined with future year allocations. As of June 30, 2007, \$30,042 in discretionary funds remained unspent. Finally, the late notice of the retirement credit issued by the Department of Management and Budget did not allow sufficient time to appropriately amend retirement expense budgets. Retirement costs of \$155,115 were budgeted unnecessarily.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-06	Increases 6-30-07	Principal Payments 6-30-07	Principal Balance 6-30-07
Bonds Payable	\$2,131,140	\$0	\$550,000	\$1,581,140
Sick & Terminal Leave Pay	1,018,235	0	8,293	1,009,942
<u>Total Long-Term Obligations</u>	<u>\$3,149,375</u>	<u>\$0</u>	<u>\$558,293</u>	<u>\$2,591,082</u>

MT. MORRIS CONSOLIDATED SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Net Investment in Capital Assets

The district's net investment in capital assets increased by \$105,976 during the fiscal year. This can be summarized as follows:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital Assets	\$9,282,252	\$312,263	\$54,337	\$9,540,178
Less: Accumulated Depreciation	(7,360,435)	(206,287)	(54,337)	(7,512,385)
<u>Net Investment Capital Outlay</u>	<u>\$1,921,817</u>	<u>\$105,976</u>	<u>\$0</u>	<u>\$2,027,793</u>

Significant additions include the purchase of a bus, building renovations, and bus loops to provide a safe environment for elementary students.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,085 per pupil for the 07-08 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 17.74% in 06-07 to 16.72% in 2007-08.

* The Mt. Morris Consolidated Schools 2007/2008 General Fund adopted budget is as follows:

<u>REVENUE</u>	\$30,242,101
<u>EXPENDITURES</u>	<u>30,748,143</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$506,042)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Mt. Morris Consolidated Schools.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,433,754
Investments	2,207,023
Accounts Receivable	31,518
Due from Other Governmental Units	5,036,764
Inventory	312,793
Prepaid Expenses	29,028
Total Current Assets	<u>\$10,050,880</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	954,330
Capital Assets	9,540,178
Less: Accumulated Depreciation	<u>(7,512,385)</u>
Total Noncurrent Assets	<u>\$2,982,123</u>
<u>TOTAL ASSETS</u>	<u><u>\$13,033,003</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$25,868
State Aid Anticipation Note Payable	2,383,247
Due to Other Governmental Units	103,474
Accrued Expenses	712,601
Salaries Payable	1,072,370
Deferred Revenue	341,694
Current Portion of Long-Term Obligations	<u>600,000</u>
Total Current Liabilities	<u>\$5,239,254</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>1,991,082</u>
<u>TOTAL LIABILITIES</u>	<u>\$7,230,336</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,400,983
Restricted - Debt Retirement	52,787
Unrestricted	<u>4,348,897</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$5,802,667</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$13,033,003</u></u>

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$17,144,685	\$275,203	\$5,097,329	(\$11,772,153)
Support Services	11,672,003	37,007	160,726	(11,474,270)
Community Services	85,819	39,130	0	(46,689)
Food Service	959,442	271,571	641,536	(46,335)
Athletics	454,584	53,166	0	(401,418)
Non-Education Activities	17,449	9,840	0	(7,609)
Interest - Long-Term Obligations	62,297	0	0	(62,297)
Depreciation - Unallocated	110,078	0	0	(110,078)
<u>TOTALS</u>	<u>\$30,506,357</u>	<u>\$685,917</u>	<u>\$5,899,591</u>	<u>(\$23,920,849)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,358,779
State Aid				21,818,059
Investment Earnings				162,965
Miscellaneous				207,466
Total General Revenues and Transfers				<u>\$24,547,269</u>
Change in Net Assets				\$626,420
Net Assets - Beginning				<u>5,176,247</u>
<u>Net Assets - Ending</u>				<u>\$5,802,667</u>

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,547,926	\$885,828	\$2,433,754
Investments	2,207,023	0	2,207,023
Accounts Receivable	30,548	970	31,518
Due from Other Governmental Units	4,935,816	100,948	5,036,764
Due from Other Funds	0	33,173	33,173
Inventory	312,705	88	312,793
Prepaid Expenses	29,028	0	29,028
<u>TOTAL ASSETS</u>	<u>\$9,063,046</u>	<u>\$1,021,007</u>	<u>\$10,084,053</u>
<u>LIABILITIES</u>			
Accounts Payable	\$25,271	\$597	\$25,868
State Aid Anticipation Note Payable	2,383,247	0	2,383,247
Due from Other Governmental Units	103,474	0	103,474
Due to Other Funds	0	33,173	33,173
Accrued Expenses	703,729	711	704,440
Salaries Payable	1,069,459	2,911	1,072,370
Deferred Revenue	341,694	0	341,694
Total Liabilities	\$4,626,874	\$37,392	\$4,664,266
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	312,705	88	312,793
Prepaid Expenses	29,028	0	29,028
Capital Projects	0	806,298	806,298
Debt Retirement	0	52,787	52,787
Unreserved:			
Undesignated, Reported In:			
General Fund	4,094,439	0	4,094,439
School Service Funds	0	124,442	124,442
Total Fund Balances	<u>\$4,436,172</u>	<u>\$983,615</u>	<u>\$5,419,787</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$9,063,046</u>	<u>\$1,021,007</u>	<u>\$10,084,053</u>

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:		\$5,419,787
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,540,178 and the accumulated depreciation is \$7,512,385		2,027,793
Construction in Progress		954,330
Accrued Interest on Long-Term Debt		(8,161)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$1,581,140	
Compensated Absences Payable	<u>1,009,942</u>	
Total Long-Term Liabilities		<u>(2,591,082)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$5,802,667</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,234,100	\$971,169	\$3,205,269
State Sources	24,631,288	53,598	24,684,886
Federal Sources	2,340,181	587,938	2,928,119
Total Revenues	<u>\$29,205,569</u>	<u>\$1,612,705</u>	<u>\$30,818,274</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	17,152,978	0	17,152,978
Student Services	1,918,000	0	1,918,000
Instructional Support	1,234,244	0	1,234,244
General Administration	645,757	0	645,757
School Administration	2,364,393	0	2,364,393
Business Administration	473,488	0	473,488
Operation & Maintenance of Plant	3,261,422	0	3,261,422
Transportation	1,128,415	0	1,128,415
Support Services - Other	569,288	0	569,288
Community Services	85,819	0	85,819
Special Revenue	0	1,461,178	1,461,178
Debt Retirement	0	613,801	613,801
Capital Projects	0	970,160	970,160
Total Expenditures	<u>\$28,833,804</u>	<u>\$3,045,139</u>	<u>\$31,878,943</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$371,765	(\$1,432,434)	(\$1,060,669)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(460,014)	460,014	0
Other Transfers	66,986	0	66,986
Total Other Financing Sources (Uses)	<u>(\$393,028)</u>	<u>\$460,014</u>	<u>\$66,986</u>
Net Change in Fund Balance	(\$21,263)	(\$972,420)	(\$993,683)
<u>FUND BALANCE - BEGINNING</u>	<u>4,457,435</u>	<u>1,956,035</u>	<u>6,413,470</u>
<u>FUND BALANCE - ENDING</u>	<u>\$4,436,172</u>	<u>\$983,615</u>	<u>\$5,419,787</u>

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$993,683)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

105,976

Construction in Progress

954,330

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

550,000

Change in accrued interest on long-term liabilities

1,504

Decrease in accrued compensated absences

8,293

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$626,420

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$202,728</u>
<u>TOTAL ASSETS</u>	<u>\$202,728</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$202,728</u>
<u>TOTAL LIABILITIES</u>	<u>\$202,728</u>

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,046,106	\$2,220,379	\$2,234,100	\$13,721
State Sources	24,547,594	25,165,333	24,631,288	(534,045)
Federal Sources	2,402,397	2,538,657	2,340,181	(198,476)
Total Revenues	<u>\$28,996,097</u>	<u>\$29,924,369</u>	<u>\$29,205,569</u>	<u>(\$718,800)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	17,391,676	17,691,219	17,152,978	538,241
Student Services	1,728,181	2,037,949	1,918,000	119,949
Instructional Support	1,660,493	1,507,143	1,234,244	272,899
General Administration	643,716	653,111	645,757	7,354
School Administration	2,394,639	2,404,687	2,364,393	40,294
Business Administration	475,997	483,459	473,488	9,971
Operation & Maintenance of Plant	3,313,680	3,263,630	3,261,422	2,208
Transportation	1,192,041	1,191,869	1,128,415	63,454
Support Services - Other	701,729	659,426	569,288	90,138
Community Services	334,823	395,636	85,819	309,817
Total Expenditures	<u>\$29,836,975</u>	<u>\$30,288,129</u>	<u>\$28,833,804</u>	<u>\$1,454,325</u>
Excess of Revenues Over Expenditures	<u>(\$840,878)</u>	<u>(\$363,760)</u>	<u>\$371,765</u>	<u>\$735,525</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>114,489</u>	<u>(142,282)</u>	<u>(393,028)</u>	<u>(250,746)</u>
Net Change in Fund Balance	<u>(\$726,389)</u>	<u>(\$506,042)</u>	<u>(\$21,263)</u>	<u>\$484,779</u>
<u>FUND BALANCE - BEGINNING</u>			<u>4,457,435</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$4,436,172</u>	

See accompanying notes to the basic financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mt. Morris Consolidated Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Non-Educational Funds.

Debt Retirement Fund

The debt retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The capital projects fund is used to account for the acquisition and construction of major facilities by the school district.

The Sinking Capital Projects Fund records capital project activities funded with Sinking Fund millage. For this fund, the District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$10,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$ 4,560	0.0027	AAAm	0.21%
MILAF External Investment Pool - MIMAX	2,202,463	0.0027	AAAm	99.79%
Total fair value	<u>\$ 2,207,023</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$2,029,815 of the District's bank balance of \$3,128,295 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$202,728	\$ 2,636,482
Investments	<u>2,207,023</u>
<u>TOTAL</u>	<u>\$ 4,843,505</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 202,728
Cash – District Wide	2,433,754
Investments – District Wide	<u>2,207,023</u>
<u>TOTAL</u>	<u>\$ 4,843,505</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 4,209,103
Federal Grants	471,902
Other Grant Programs & Fees	<u>355,759</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 5,036,764</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the School District had estimated claims of \$39,583 in conjunction with the program.

8) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$7,067,030	\$68,212	\$0	\$7,135,242
Land Improvements	408,272	26,480	0	434,752
Land	0	107,956	0	107,956
Equipment and Furniture	516,967	39,725	0	556,692
Vehicles	1,289,983	69,890	54,337	1,305,536
Totals at Historical Cost	\$9,282,252	\$312,263	\$54,337	\$9,540,178
Less: Accumulated Depreciation				
Buildings and Improvements	(5,654,828)	(110,078)	0	(5,764,906)
Land Improvements	(305,784)	(9,148)	0	(314,932)
Equipment and Furniture	(434,148)	(12,751)	0	(446,899)
Vehicles	(965,675)	(74,310)	(54,337)	(985,648)
Total Accumulated Depreciation	(\$7,360,435)	(\$206,287)	(\$54,337)	(\$7,512,385)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,921,817</u>	<u>\$105,976</u>	<u>\$0</u>	<u>\$2,027,793</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Support Services	\$ 86,187
Athletics	10,022
Unallocated	110,078
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 206,287</u>

Construction in progress consisted of the following:

Phase 1	\$ 525,705
Phase 2	415,912
Phase 3	12,713
<u>TOTAL</u>	<u>\$ 954,330</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

9) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$166,286 and the School District received a dividend refund of \$2,472.

10) SHORT-TERM DEBT

The District borrowed \$2,300,000 at 3.98% interest per annum on September 27, 2006, from the State Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance including interest as of June 30, 2007 was \$2,383,247. The note matures August 22, 2007.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
State Aid	<u>\$2,500,000</u>	<u>\$2,300,000</u>	<u>\$2,500,000</u>	<u>\$2,300,000</u>

11) LONG-TERM LIABILITIES

A) Durant Resolution Package Bonds

Mt. Morris Consolidated Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$560,813 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$331,140.

B) 2006 Capital Improvement Bonds

2006 Capital Improvement Bonds, original issue \$1,800,000 were issued for the construction and repair of school buildings and grounds. The bonds, dated June 1, 2006, are due in annual installments of \$550,000 to \$650,000 through May 1, 2009, with interest rates ranging from 3.75% to 3.97%. The balance as of June 30, 2007 was \$1,250,000.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2007 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2008	\$600,000	\$48,965	\$648,965
June 30, 2009	840,719	99,689	940,408
June 30, 2010	32,696	6,686	39,382
June 30, 2011	34,253	5,129	39,382
June 30, 2012	35,882	3,498	39,380
June 30, 2013	<u>37,590</u>	<u>1,790</u>	<u>39,380</u>
<u>TOTAL</u>	<u>\$1,581,140</u>	<u>\$165,757</u>	<u>\$1,746,897</u>

The payment dates of sick and terminal leave days payable is undeterminable. The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$63,801.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

11) LONG-TERM LIABILITIES (Continued)

D) Changes in General Long-Term Debt

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amount Due in One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$2,131,140	\$0	\$550,000	\$1,581,140	\$600,000
Sick & Terminal Leave Pay	1,018,235	0	8,293	1,009,942	0
<u>Total Governmental Activities</u>	<u>\$3,149,375</u>	<u>\$0</u>	<u>\$558,293</u>	<u>\$2,591,082</u>	<u>\$600,000</u>

12) OPERATING LEASES

- A. The District leases various copy machines. The lease requires monthly payments of \$7,615 and expires on June 30, 2009.
- B. The District entered into a drivers education service agreement with Genesee Driving School, Inc. and Safeway Driving School to provide driver educations courses to students of the District for a three year period. Each service provider will receive \$6,250 in 2006-2007 year and \$5,000 in the 2007-2008 year.

The future minimum payments are as follows:

	Copy Machine	Drivers Education	Total
2008	\$91,380	\$5,000	\$96,380
2009	91,380	0	0
<u>TOTAL</u>	<u>\$182,760</u>	<u>\$5,000</u>	<u>\$96,380</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

DUE FROM	
DUE TO	Sinking
	Capital
	Projects
	<u>Debt Retirement</u>
	<u>\$33,173</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	General Fund	Cost of Issuance	Total
Athletics Fund	\$393,983	\$0	\$393,983
Non-Educational Fund	13,400	0	13,400
Food Service Fund	52,631	0	52,631
Debt Retirement	0	1,000	1,000
<u>TOTAL</u>	<u>\$460,014</u>	<u>\$1,000</u>	<u>\$461,014</u>

The transfers from general fund were made to subsidize the cost of services for athletics, food service and the non-educational fund. The capital projects transfers were made for the purpose of appropriately recording the bond issuance expense and debt retirement subsidy in accordance with bond provisions.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$2,463,328, \$2,634,051 and \$2,411,587, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principally of which is the Title I grant. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District has approved borrowing \$3,700,000 at a interest rate of 3.95% from the Citizens Bank to meet cash flow needs for the 2007-2008 fiscal year. The bonds will be issued in September 26, 2007 with a maturity date of August 22, 2008.

OTHER SUPPLEMENTAL
INFORMATION

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Special Revenue Funds	Capital Projects Cost of Issuance Fund	Sinking Capital Projects Fund	Debt Fund	Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$26,764	\$0	\$773,125	\$85,939	\$885,828
Accounts Receivable	949	0	0	21	970
Due From Other Governmental Units	100,948	0	0	0	100,948
Due from Other Funds	0	0	33,173	0	33,173
Inventory	88	0	0	0	88
<u>TOTAL ASSETS</u>	<u>\$128,749</u>	<u>\$0</u>	<u>\$806,298</u>	<u>\$85,960</u>	<u>\$1,021,007</u>
<u>LIABILITIES</u>					
Accounts Payable	\$597	\$0	\$0	\$0	\$597
Due to Other Funds	0	0	0	33,173	33,173
Accrued Expenses	711	0	0	0	711
Salaries Payable	2,911	0	0	0	2,911
Total Liabilities	\$4,219	\$0	\$0	\$33,173	\$37,392
<u>FUND EQUITY</u>					
Fund Balance - Reserved for Inventory	88	0	0	0	88
Fund Balance - Reserved for Capital Outlay	0	0	806,298	0	806,298
Fund Balance - Reserved for Debt Retirement	0	0	0	52,787	52,787
Fund Balance - Unreserved and Undesignated	124,442	0	0	0	124,442
Total Fund Equity	<u>\$124,530</u>	<u>\$0</u>	<u>\$806,298</u>	<u>\$52,787</u>	<u>\$983,615</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$128,749</u>	<u>\$0</u>	<u>\$806,298</u>	<u>\$85,960</u>	<u>\$1,021,007</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Capital Projects Cost of Issuance Fund	Sinking Capital Projects Fund	Debt Fund	Total
<u>REVENUES</u>					
Local Sources	\$334,577	\$0	\$0	\$636,592	\$971,169
State Sources	53,598	0	0	0	53,598
Federal Sources	587,938	0	0	0	587,938
Total Revenues	\$976,113	\$0	\$0	\$636,592	\$1,612,705
<u>OTHER FINANCING SOURCES</u>					
Transfers from Other Funds	460,014	0	0	1,000	461,014
Total Revenues and Other Financing Sources	\$1,436,127	\$0	\$0	\$637,592	\$2,073,719
<u>EXPENDITURES</u>					
Special Revenue Funds	1,461,178	0	0	0	1,461,178
Debt Retirement					
Principal	0	0	0	550,000	550,000
Interest	0	0	0	63,801	63,801
Capital Outlay	0	15,830	954,330	0	970,160
Total Expenditures	\$1,461,178	\$15,830	\$954,330	\$613,801	\$3,045,139
<u>OTHER FINANCING USES</u>					
Transfers to Other Funds	0	1,000	0	0	1,000
Total Expenditures and Other Financing Uses	\$1,461,178	\$16,830	\$954,330	\$613,801	\$3,046,139
<u>EXCESS REVENUES AND OTHER OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$25,051)</u>	<u>(\$16,830)</u>	<u>(\$954,330)</u>	<u>\$23,791</u>	<u>(\$972,420)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$149,581</u>	<u>\$16,830</u>	<u>\$1,760,628</u>	<u>\$28,996</u>	<u>\$1,956,035</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$124,530</u>	<u>\$0</u>	<u>\$806,298</u>	<u>\$52,787</u>	<u>\$983,615</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Food Service	Athletic Activities	Non- Educational Activities	Totals
<u>ASSETS</u>				
Cash and Cash Equivalents	(\$33,804)	\$43,760	\$16,808	\$26,764
Accounts Receivable	949	0	0	949
Due From Other Governmental Units	100,948	0	0	100,948
Inventory	88	0	0	88
<u>TOTAL ASSETS</u>	<u>\$68,181</u>	<u>\$43,760</u>	<u>\$16,808</u>	<u>\$128,749</u>
<u>LIABILITIES</u>				
Accounts Payable	\$107	\$0	\$490	\$597
Accrued Expenses	316	316	79	711
Salaries Payable	1,244	1,244	423	2,911
Total Liabilities	\$1,667	\$1,560	\$992	\$4,219
<u>FUND EQUITY</u>				
Fund Balance - Reserved for Inventory	88	0	0	88
Fund Balance - Unreserved and Undesignated	66,426	42,200	15,816	124,442
Total Fund Equity	\$66,514	\$42,200	\$15,816	\$124,530
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$68,181</u>	<u>\$43,760</u>	<u>\$16,808</u>	<u>\$128,749</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	Food Service	Athletic Activities	Non- Educational Activities	Totals
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$271,571	\$0	\$0	\$271,571
Athletic Activities	0	53,166	0	53,166
Other Local Revenues	0	0	9,840	9,840
Total Local Sources	\$271,571	\$53,166	\$9,840	\$334,577
<u>State Sources</u>				
State Reimbursements	53,598	0	0	53,598
<u>Federal Sources</u>				
Federal Reimbursements	587,938	0	0	587,938
Total Revenues	\$913,107	\$53,166	\$9,840	\$976,113
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	52,631	393,983	13,400	460,014
Total Revenues and Other Financing Sources	\$965,738	\$447,149	\$23,240	\$1,436,127
<u>EXPENDITURES</u>				
Salaries - Professional	0	43,430	0	43,430
Salaries - Non-Professional	279,637	199,067	4,671	483,375
Insurances	89,083	18,082	0	107,165
Fica, Retirement, Etc.	65,029	57,951	872	123,852
Other Benefits	0	500	0	500
Purchased Services	35,998	34,369	6,420	76,787
Supplies and Materials	482,017	40,961	1,503	524,481
Capital Outlay	42,047	0	3,983	46,030
Other	5,356	50,202	0	55,558
Total Expenditures	\$999,167	\$444,562	\$17,449	\$1,461,178
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$33,429)</u>	<u>\$2,587</u>	<u>\$5,791</u>	<u>(\$25,051)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$99,943</u>	<u>\$39,613</u>	<u>\$10,025</u>	<u>\$149,581</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$66,514</u>	<u>\$42,200</u>	<u>\$15,816</u>	<u>\$124,530</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROMLocal Sources

Current Taxes	\$1,734,544
Earnings on Investments and Deposits	150,608
Tuition and Adult Education	39,598
Medicaid School Based Services	47,523
Bridges Grant	33,946
Latchkey	39,130
Rentals	10,987
Other Local Revenues	177,764
Total Revenues from Local Sources	<u>\$2,234,100</u>

State Sources

State Aid - Membership - Sec. 20	21,818,059
Court Placed Children	342,102
Michigan School Readiness	456,769
Special Ed Headlee	1,028,057
Vocational Education Added Cost - Sec. 61a.1	26,316
Durant	56,081
At-Risk Pupils - Sec. 31A	809,784
Adult Education - Sec. 107.1	94,120
Total Revenues from State Sources	<u>\$24,631,288</u>

Federal Sources

Title I	844,359
Comprehensive School Reform	240,137
Title V	5,932
Technology Literacy Challenge	6,188
Indian Education	108,460
Improving Teacher Quality	215,997
Homeland Security	4,900
IDEA Flowthrough	743,160
Medicaid	15,287
Fresh Fruit and Vegetable Program	69,346
Other Grants from ISD	27,359
Preschool Incentive	34,584
Vocational Education	24,472
Total Revenues from Federal Sources	<u>\$2,340,181</u>
Total Revenues	<u>\$29,205,569</u>

OTHER FINANCING SOURCES

County Special Education Tax	235,605
Transfers from Other Governmental Units	23,176
Other	55,722
Total Other Financing Sources	<u>\$314,503</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$29,520,072

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBASIC PROGRAMSCentral Elementary

Salaries - Professional	\$1,551,265
Salaries - Non-Professional	66,046
Insurances	365,504
Fica, Retirement, Etc.	400,363
Purchased Services	32,397
Supplies and Materials	25,707
Capital Outlay	3,595
Other	1,570
Total Central Elementary	<u>\$2,446,447</u>

Montague Elementary

Salaries - Professional	653,523
Salaries - Non-Professional	37,965
Insurances	171,639
Fica, Retirement, Etc.	173,180
Purchased Services	15,663
Supplies and Materials	30,118
Capital Outlay	1,208
Other	1,141
Total Montague Elementary	<u>\$1,084,437</u>

Moore Elementary

Salaries - Professional	687,705
Salaries - Non-Professional	36,531
Insurances	177,940
Fica, Retirement, Etc.	182,335
Purchased Services	9,270
Supplies and Materials	11,137
Capital Outlay	405
Other	7,589
Total Moore Elementary	<u>\$1,112,912</u>

Pinehurst Elementary

Salaries - Professional	563,907
Salaries - Non-Professional	58,979
Insurances	139,645
Fica, Retirement, Etc.	155,103
Purchased Services	78,139
Supplies and Materials	22,637
Capital Outlay	110
Other	442
Total Pinehurst Elementary	<u>\$1,018,962</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Junior High

Salaries - Professional	\$1,220,504
Salaries - Non-Professional	24,177
Insurances	274,950
Fica, Retirement, Etc.	306,900
Purchased Services	26,779
Supplies and Materials	35,544
Capital Outlay	955
Other	4,312
Total Junior High	<u>\$1,894,121</u>

High School

Salaries - Professional	2,877,892
Salaries - Non-Professional	157,458
Insurances	634,757
Fica, Retirement, Etc.	748,979
Purchased Services	318,024
Supplies and Materials	199,984
Capital Outlay	47,931
Other	5,206
Total High School	<u>\$4,990,231</u>

Preschool

Salaries - Professional	192,376
Salaries - Non-Professional	75,418
Insurances	39,682
Fica, Retirement, Etc.	64,983
Purchased Services	390
Supplies and Materials	13,666
Other	646
Total Preschool	<u>\$387,161</u>

Summer School - High School

Salaries - Professional	13,760
Fica, Retirement, Etc.	3,331
Total Summer School - High School	<u>\$17,091</u>

Total Basic Programs

\$12,951,362

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)ADDED NEEDSSPECIAL EDUCATION

Salaries - Professional	\$1,422,125
Salaries - Non-Professional	348,500
Insurances	298,843
Fica, Retirement, Etc.	435,072
Purchased Services	517
Supplies and Materials	10,944
Other	1,660
Total Special Education	<u>\$2,517,661</u>

COMPENSATORY EDUCATION

Salaries - Professional	363,593
Salaries - Non-Professional	255,898
Insurances	80,482
Fica, Retirement, Etc.	144,210
Purchased Services	636
Supplies and Materials	271,466
Capital Outlay	28,370
Other	10,645
Total Compensatory Education	<u>\$1,155,300</u>

VOCATIONAL EDUCATION

Salaries - Professional	326,591
Insurances	65,962
Fica, Retirement, Etc.	82,504
Purchased Services	3,074
Supplies and Materials	2,529
Capital Outlay	1,566
Other	4,077
Total Vocational Education	<u>\$486,303</u>

Total Added Needs

\$4,159,264

ADULT EDUCATION

Salaries - Professional	26,205
Salaries - Non-Professional	6,720
Fica, Retirement, Etc.	7,432
Supplies and Materials	1,995
Total Adult/Continuing Education	<u>\$42,352</u>

Total Instruction

\$17,152,978

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN

GENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2007SUPPORT SERVICESSTUDENT SERVICES

Salaries - Professional	\$891,840
Salaries - Non-Professional	270,664
Insurances	188,490
Fica, Retirement, Etc.	282,121
Purchased Services	114,976
Supplies and Materials	110,813
Capital Outlay	58,355
Other	741
Total Student Services	<u>\$1,918,000</u>

INSTRUCTIONAL STAFF

Salaries - Professional	383,762
Salaries - Non-Professional	234,831
Insurances	87,030
Fica, Retirement, Etc.	152,964
Other Benefits	6,700
Purchased Services	281,911
Supplies and Materials	42,118
Capital Outlay	15,960
Other	28,968
Total Instructional Staff	<u>\$1,234,244</u>

GENERAL ADMINISTRATION

Salaries - Professional	146,221
Salaries - Non-Professional	135,005
Insurances	65,522
Fica, Retirement, Etc.	65,639
Other Benefits	8,090
Purchased Services	185,004
Supplies and Materials	19,506
Capital Outlay	6,895
Other	13,875
Total General Administration	<u>\$645,757</u>

SCHOOL ADMINISTRATION

Salaries - Professional	1,131,033
Salaries - Non-Professional	361,514
Insurances	378,907
Fica, Retirement, Etc.	371,589
Other Benefits	29,000
Purchased Services	11,356
Supplies and Materials	66,783
Capital Outlay	7,525
Other	6,686
Total School Administration	<u>\$2,364,393</u>

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

BUSINESS OFFICE

Salaries - Professional	\$85,398
Salaries - Non-Professional	105,692
Insurances	73,617
Fica, Retirement, Etc.	46,747
Other Benefits	1,000
Purchased Services	43,806
Capital Outlay	5,135
Other	112,093
Total Business Office	<u>\$473,488</u>

OPERATION AND MAINTENANCE OF PLANT

Salaries - Professional	59,068
Salaries - Non-Professional	1,014,535
Insurances	460,744
Fica, Retirement, Etc.	399,197
Other Benefits	4,950
Purchased Services	582,983
Supplies and Materials	615,406
Capital Outlay	122,524
Other	2,015
Total Operation and Maintenance of Plant	<u>\$3,261,422</u>

TRANSPORTATION

Salaries - Professional	36,556
Salaries - Non-Professional	468,518
Insurances	69,202
Fica, Retirement, Etc.	127,633
Other Benefits	2,500
Purchased Services	152,613
Supplies and Materials	198,761
Capital Outlay	71,744
Other	888
Total Transportation	<u>\$1,128,415</u>

OTHER SUPPORT SERVICES

Salaries - Professional	88,169
Salaries - Non-Professional	157,416
Insurances	39,247
Fica, Retirement, Etc.	60,231
Other Benefits	1,350
Purchased Services	167,076
Supplies and Materials	26,711
Capital Outlay	27,030
Other	2,058
Total Other Support Services	<u>\$569,288</u>

<u>Total Support Services</u>	<u>\$11,595,007</u>
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MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

COMMUNITY SERVICES

Salaries - Professional	\$19,041
Salaries - Non-Professional	30,674
Insurance	1,518
Fica, Retirement, Etc.	12,173
Purchased Services	0
Supplies and Materials	8,635
Other	13,778
Total Community Services	<u>\$85,819</u>

<u>Total Expenditures</u>	\$28,833,804
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OTHER FINANCING USES

Other Construction Projects	247,517
Transfers to School Service Funds	460,014
Total Other Financing Uses	<u>\$707,531</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$29,541,335</u>
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MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From)	Receipts	Disbursements	Due to (From)
	Student Groups July 1, 2006			Student Groups June 30, 2007
Revolving Fund	\$200	\$8,819	\$8,819	\$200
Alternative Education	7,617	9,730	4,336	13,011
Education Endures Scholarship	250	0	0	250
High School Band	624	4,675	3,791	1,508
High School Choral	1,283	7,178	7,736	725
High School Class of 2005	850	0	0	850
High School Class of 2006	3,168	0	1,638	1,530
High School Class of 2007	3,182	9,265	11,081	1,366
High School Class of 2008	1,817	19,312	16,821	4,308
High School Class of 2009	8	3,803	1,873	1,938
High School Coaches Fund	3,251	4,782	4,153	3,880
High School Dance Team	2,654	6,784	7,243	2,195
High School DECA	1,325	1,502	2,437	390
High School Drama	1,222	2,493	1,709	2,006
High School Ecology	2,666	134	158	2,642
High School EMI	305	0	0	305
High School Fieldtrips	300	25,586	25,692	194
High School Handbook	312	127	0	439
High School Miscellaneous	25,357	34,736	35,482	24,611
High School Nat. Honor Soc.	225	0	27	198
High School Parking	2,474	2,220	1,336	3,358
High School Pool & Lock	807	1,364	684	1,487
High School Racing	551	0	0	551
High School S.A.D.D.	50	1,868	1,847	71
High School Senior Celebration	3,092	7,933	8,647	2,378
High School Shop	1,284	125	110	1,299
High School Store	1,879	15,910	17,190	599
High School Student Council	6,457	5,278	2,780	8,955
High School Student News	1,450	2,666	1,786	2,330
High School Technology	5,053	4,214	740	8,527
High School Tennis	253	0	0	253
High School Wood/Metal	246	850	1,013	83
High School Yearbook 2005/2006	2,930	1,439	4,319	50
High School Yearbook 2006/2007	0	6,182	1,931	4,251
Skip Program	15	1,384	753	646
Sports Baseball	492	5,436	5,427	501
Sports Basketball	897	3,739	2,941	1,695
Subtotal	\$84,546	\$199,534	\$184,500	\$99,580

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due to (From)	Receipts	Disbursements	Due to (From)
	Student Groups July 1, 2006			Student Groups June 30, 2007
Sports Cheerleading	\$8,467	\$6,399	\$13,226	\$1,640
Sports Football	320	6,080	6,285	115
Sports Golf	283	289	318	254
Sports Misc	14,899	10,724	12,037	13,586
Sports Soccer	97	0	0	97
Sports Softball	445	70	70	445
Sports Swim	1,122	1,080	0	2,202
Sports Tennis	649	1,119	455	1,313
Sports Track	245	826	626	445
Sports Volleyball	1,904	17,220	11,000	8,124
Junior High Band	219	1,338	1,401	156
Junior High Cedarpoint	235	5,581	5,800	16
Junior High Choir	6,169	3,458	9,417	210
Junior High Library	109	1,861	1,771	199
Junior High Misc	17,919	17,403	13,985	21,337
Junior High Nat. Honor	341	0	67	274
Junior High Student Council	403	1,202	1,110	495
Junior High Washington	835	66	0	901
Junior High Yearbook	721	3,529	4,150	100
Central Band	643	1,292	1,760	175
Central Co-America	0	6,175	6,050	125
Central Library	8,905	5,239	6,864	7,280
Central Misc	5,820	12,626	16,926	1,520
Central Pencil	746	907	1,357	296
Central Popcorn	0	2,190	191	1,999
Central School Store	0	2,421	1,719	702
Central Special Olympics	308	2,079	2,001	386
Central St. Council	380	684	532	532
Central Teacher Fund	29,831	36,735	47,738	18,828
Montague Elementary	3,958	9,339	8,156	5,141
Montague Pop Fund	0	706	341	365
Moore Elementary	3,653	4,782	4,498	3,937
Moore Pop Fund	0	1,227	0	1,227
Pinehurst Elementary	632	4,833	4,264	1,201
Pinehurst Pop Fund	3,730	1,346	1,489	3,587
Pinehurst Scholarship Fund	0	1,560	0	1,560
Mt. Morris Wrestling	797	0	797	0
M M Little League	95	0	0	95
M M Youth Football	1,876	42	21	1,897
Transportation	308	726	648	386
TOTALS	\$201,610	\$372,688	\$371,570	\$202,728

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$560,813

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	190,719	4.761353%	73,884	264,603
2010	32,696	4.761353%	6,686	39,382
2011	34,253	4.761353%	5,129	39,382
2012	35,882	4.761353%	3,498	39,380
2013	37,590	4.761353%	1,790	39,380
<u>TOTAL</u>	<u>\$331,140</u>		<u>\$90,987</u>	<u>\$422,127</u>

DATE OF ISSUE - June 1, 2006

Original amount of issue - \$1,800,000

2006 CAPITAL IMPROVEMENT BONDS

	INTEREST RATE	PRINCIPAL REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	MAY INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
2007-2008	3.86%	\$600,000	\$24,482	\$24,483	\$648,965
2008-2009	3.97%	650,000	12,903	12,902	675,805
<u>TOTAL</u>		<u>\$1,250,000</u>	<u>\$37,385</u>	<u>\$37,385</u>	<u>\$1,324,770</u>

MT. MORRIS CONSOLIDATED SCHOOLS

MT. MORRIS, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

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October 29, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Mt. Morris Consolidated Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Morris Consolidated Schools, as of and for the year ended June 30, 2007, which collectively comprise the Mt. Morris Consolidated Schools' basic financial statements and have issued our report thereon dated October 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mt. Morris Consolidated Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mt. Morris Consolidated Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mt. Morris Consolidated Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mt. Morris Consolidated Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mt. Morris Consolidated Schools' financial statements that is more than inconsequential will not be prevented or detected by the Mt. Morris Consolidated Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mt. Morris Consolidated Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mt. Morris Consolidated Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Mt. Morris Consolidated Schools

Page 2

October 29, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 29, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Mt. Morris Consolidated Schools

Compliance

We have audited the compliance of Mt. Morris Consolidated Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Mt. Morris Consolidated Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mt. Morris Consolidated Schools' management. Our responsibility is to express an opinion on Mt. Morris Consolidated Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Morris Consolidated Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mt. Morris Consolidated Schools' compliance with those requirements.

In our opinion, Mt. Morris Consolidated Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Mt. Morris Consolidated Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mt. Morris Consolidated Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mt. Morris Consolidated Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Mt. Morris Consolidated Schools

Page 2

October 29, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mt. Morris Consolidated Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 29, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Mt. Morris Consolidated Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Indian Education - Grants to Local Educational Agencies	84.060A		
Indian Education (05-06)			\$105,543
Indian Education (06-07)			108,406
Total Direct Programs - Indian Education			<u>\$213,949</u>
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
Title I D (05-06)		061700-0506	249,447
ESEA Title I A (05-06)		061530-0506	602,791
ESEA Title I A C/O		051530-0506	167,089
Title I D (06-07)		071700-0607	285,920
Title I D C/O (06-07)		061700-0607	32,368
ESEA Title I A (06-07)		071530-0607	602,791
ESEA Title I A C/O		061530-0607	44,626
Total Title I Grants to Local Educational Agencies			<u>\$1,985,032</u>
Innovative Education Program Strategies	84.298		
Title V (06-07)		070250-0607	5,932
Technology Literacy Challenge Grants	84.318		
Technology Literacy Challenge (06-07)		074290-0607	6,188
Comprehensive School Reform Demonstration	84.332		
Comprehensive School Reform Demonstration (05-06)		051880-0506	132,300
Comprehensive School Reform Demonstration		051880-0506	113,347
Comprehensive School Reform Demonstration		051880-0506	113,347
Comprehensive School Reform Demonstration (06-07)		061870-0607	103,100
Comprehensive School Reform Demonstration (06-07)		061870-0607	103,100
Total Comprehensive School Reform Demonstration			<u>\$565,194</u>
Improving Teacher Quality	84.367		
Title II A (05-06)		060520-0506	185,004
Title II A (06-07)		070520-0607	182,514
Title II A C/O (06-07)		060520-0607	46,957
Total Improving Teacher Quality			<u>\$414,475</u>
Emergency Impact Aid - Katrina Relief	84.938	064120-1	322
Total Passed Through Michigan Department of Education			<u>\$2,977,143</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$25,891	\$105,543	\$0	\$0	\$25,891	\$0
0	0	108,460	0	108,460	0
\$25,891	\$105,543	\$108,460	\$0	\$134,351	\$0
34,090	190,127	26,952	0	61,042	0
63,391	549,694	8,470	0	71,861	0
6,485	167,089	0	0	6,485	0
0	0	186,526	0	154,499	32,027
0	0	16,373	0	15,871	502
0	0	561,411	0	489,915	71,496
0	0	44,627	0	44,627	0
\$103,966	\$906,910	\$844,359	\$0	\$844,300	\$104,025
0	0	5,932	0	5,932	0
0	0	6,188	0	6,188	0
8,404	107,590	24,710	0	33,114	0
8,660	97,003	16,344	0	25,004	0
9,354	100,921	12,426	0	21,780	0
0	0	92,864	0	92,273	591
0	0	93,793	0	92,444	1,349
\$26,418	\$305,514	\$240,137	\$0	\$264,615	\$1,940
10,313	131,355	6,691	0	17,004	0
0	0	162,348	0	162,188	160
0	0	46,958	0	46,958	0
\$10,313	\$131,355	\$215,997	\$0	\$226,150	\$160
0	0	322	0	322	0
\$140,697	\$1,343,779	\$1,312,935	\$0	\$1,347,507	\$106,125

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)			
Passed Through Genesee Intermediate School District			
Special Education - Grants to States:	84.027		
IDEA Flow Through (05-06)		060450-0506	\$746,546
IDEA Flow Through (06-07)		070450-0607	741,260
Service Providers Self-Review		070440-0607	5,000
Transition Services (06-07)		070490-TS	1,900
Total Special Education - Grants to States			<u>\$1,494,706</u>
Vocational Education - Basic Grants to States:	84.048		
Perkins Secondary Regional (06-07)		73520-7012-15	24,472
Special Education - Preschool Grants:	84.173		
IDEA Preschool Incentive (05-06)		060460-0506	34,568
IDEA Preschool Incentive (06-07)		070460-0607	34,584
Total Special Education - Preschool Grants			<u>\$69,152</u>
Safe & Drug Free Learning (03-04)	84.184L	S184LO20281-4	5,000
Safe and Drug-Free Schools and Communities - State Grants	84.186		
Drug-Free Schools (05-06)		62860-0506	3,000
Character Education Program	84.215S	Q215S060132	13,400
Total Passed Through Genesee Intermediate School District			<u>\$1,609,730</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$4,800,822</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	23,446
Bonus Commodities		N/A	434
Total Commodities			<u>\$23,880</u>
National School Breakfast Program	10.553	N/A	103,365
National School Lunch Program	10.555	N/A	453,809
National School Special Milk Program	10.556	N/A	6,884
Fresh Fruit and Vegetable Program	10.582	0709V0-02631	14,063
Fresh Fruit and Vegetable Program	10.582	070950-02631	55,283
Fresh Fruit and Vegetable Program	10.582	060950-02631	51,362
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$708,646</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$92,665	\$746,546	\$0	\$0	\$92,665	\$0
0	0	741,260	0	477,500	263,760
0	0	3,330	0	3,330	0
0	0	1,900	0	1,900	0
\$92,665	\$746,546	\$746,490	\$0	\$575,395	\$263,760
0	0	24,472	0	24,472	0
3,743	34,568	0	0	3,743	0
0	0	34,584	0	21,963	12,621
\$3,743	\$34,568	\$34,584	\$0	\$25,706	\$12,621
5,000	5,000	0	0	5,000	0
0	0	3,000	0	3,000	0
0	0	9,731	0	9,731	0
\$101,408	\$786,114	\$818,277	\$0	\$643,304	\$276,381
\$267,996	\$2,235,436	\$2,239,672	\$0	\$2,125,162	\$382,506
0	0	23,446	0	23,446	0
0	0	434	0	434	0
\$0	\$0	\$23,880	\$0	\$23,880	\$0
0	0	103,365	0	86,509	16,856
0	0	453,809	0	382,755	71,054
0	0	6,884	0	5,398	1,486
0	0	14,063	0	14,063	0
0	0	55,283	0	55,283	0
11,607	26,473	0	0	11,607	0
\$11,607	\$26,473	\$657,284	\$0	\$579,495	\$89,396

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through United Way of Genesee and Lapeer Counties			
TANF	93.558		
Bridges to the Future		N/A	\$15,000
Bridges to the Future		N/A	9,992
Total TANF			<u>\$24,992</u>
Passed Through Genesee Intermediate School District			
Medicaid Administrative Outreach	93.778	N/A	<u>15,287</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$40,279
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District			
WIA Title I	17.259		
Year Round Youth Services		007-K-5	2,887
Year Round Youth Services		007-K-5	<u>984</u>
<u>TOTAL U.S. DEPARTMENT OF LABOR</u>			\$3,871
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Michigan State Police			
Homeland Security Grant	97.004	N/A	<u>4,900</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$5,558,518</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2006	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2007
\$4,275	\$4,275	\$0	\$0	\$4,275	\$0
0	0	9,992	0	9,992	0
\$4,275	\$4,275	\$9,992	\$0	\$14,267	\$0
0	0	15,287	0	15,287	0
\$4,275	\$4,275	\$25,279	\$0	\$29,554	\$0
2,887	0	0	0	2,887	0
0	0	984	0	984	0
\$2,887	\$0	\$984	\$0	\$3,871	\$0
0	0	4,900	0	4,900	0
\$286,765	\$2,266,184	\$2,928,119	\$0	\$2,742,982	\$471,902

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>	<u>\$2,928,119</u>
 <u>FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS PURPOSE</u>	
General Fund	\$2,340,181
School Service Fund	<u>587,938</u>
 <u>TOTAL</u>	 <u>\$2,928,119</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 9 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

MT. MORRIS CONSOLIDATED SCHOOLS - MT. MORRIS, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$1,558,517
Current Payments Per the Grant Section Auditor's Report		
Cash Management System		
Add: Title I (CFDA 84.010)	\$147,219	
Add: Comprehensive School Reform Demo. (CFDA 84.332)	101,267	
Add: Improving Teacher Quality (CFDA 84.367)	49,178	
Add: Fresh Fruit (CFDA 10.582)	64,406	
Total		362,070
<u>Less:</u> State Funded Grants		
School Breakfast Program State Funds		(17,465)
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District:		
Special Education - Grants to States (CFDA 84.027)	\$575,395	
Vocational Education (CFDA 84.048)	24,472	
Special Education - Preschool Grants (CFDA 84.173)	25,706	
Safe & Drug Free Learning (CFDA 84.184L)	5,000	
Safe and Drug Free Schools (CFDA 84.186)	3,000	
Character Education Program (84.215S)	9,731	
WIA Title I (CFDA 17.259)	3,871	
Medicaid - Administrative Outreach (CFDA 93.778)	15,287	
Total Grants Passed Through the Genesee Intermediate School District		662,462
Passed Through United Way of Genesee and Lapeer Counties TANF (CFDA 93.558)		14,267
Passed Through Michigan State Police Homeland Security Grant (CFDA 97.004)		4,900
Direct Federal Aid - Indian Education (CFDA 84.060A)		134,351
Entitlement and Bonus Commodities (CFDA 10.550)		23,880
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$2,742,982</u>

MT. MORRIS CONSOLIDATED SCHOOLS- MT. MORRIS, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs